

BLUMENFELD & COHEN

SUMNER SQUARE

1615 M STREET, N.W. SUITE 700

WASHINGTON, D. C. 20036

202 955-6300

FACSIMILE 202 955-6460

DOCKET FILE COPY ORIGINAL

101 CALIFORNIA STREET

42ND FLOOR

SAN FRANCISCO, CA 94111

415 394-7500

FACSIMILE 415 394-7505

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June 12, 1995

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

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Re: CC Docket No. 92-77
Notice of Ex Parte Communication

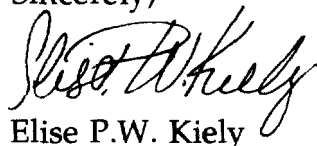
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20541

Dear Mr. Caton:

On June 8, 1995, representatives of Gateway Technologies, Inc. met with James Coltharp, Special Advisor to Commissioner Barrett to discuss Gateway's May 5, 1995 proposal for a rate cap for inmate service providers. Representing Gateway were Richard Cree, President and CEO of Gateway, and Glenn B. Manishin, Ted Swiecichowski, and the undersigned, counsel to Gateway.

Pursuant to Section 1.1206 of the Commission's Rules, two copies of the written materials supplied as a result of this meeting are herewith submitted for the record.

Sincerely,


Elise P.W. Kiely

EPWK:hs
Enclosures

cc: James Coltharp

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I. Rate Cap Overview

- A. Any rate cap should create real incentives for cost efficiencies and rate reductions while minimizing Commission enforcement resources.
- B. An inmate service provider rate cap should be an alternative to BPP.
- C. Gateway's rate cap is procompetitive, ensuring just and reasonable rates. In contrast, ISCPTF's rate cap proposal would allow inmate carriers to charge up to \$2.00 above AT&T's rates.
- D. Gateway's approach is endorsed by C.U.R.E., a major national inmate advocacy group.

II. Regulatory Background

- A. In 1991, Gateway demonstrated that inmate service providers were not OSPs under TOCSIA.
- B. The vast weight of the record in Docket 92-77 shows that applying BPP to inmate service providers is inappropriate because of the toll fraud, security concerns and inability of correctional facilities to afford the necessary CPE.
- C. Gateway has always maintained that a rate cap is not necessary because (1) the FCC should utilize its enforcement powers to target individual providers; and (2) inmate service providers can and should "double brand" their calls and quote their rates in real time.

III. Rate Cap Specifics

- A. The FCC should cap inmate service carrier rates at current AT&T inmate rates.
 - 1. Current rates should be used so that all inmate carriers are not free to raise their rates if AT&T decides to increase its rates. This was a specific concern of some of the interest groups representing inmate families.
 - 2. The rate cap does not include an automatic "inflationary" CPI adjustment because the hardware and software costs of providing this service are decreasing.
- B. CURE "emphatically agrees" with Gateway's opposition to the ICSPTF proposal and supports a rate cap that puts downward pressure on rates.

- C. Gateway's rate cap is vastly different than the ICSPTF rate cap in that it: (1) puts downward pressure on rates; (2) rewards efficiency; (3) forces inmate carriers to compete on efficiencies, cost effective technology and quality of service, rather than solely on commissions.
- D. "Self-Enforcing" rate cap - Under Gateway's proposal, if a carrier violates the rate cap, then that carrier would be subject to BPP. Additionally, Gateway proposes that the FCC require that the LECs do not bill for any carrier that violates the rate cap. Thus, the rate cap would allow the Commission to protect against excessive inmate rates without using its enforcement resources, because lower prices would be in the providers' business interests.
- E. Competition for correctional institution commissions will still be permitted, but commission increases under a rate cap can only come from incremental provider efficiency, not rate increases.

IV. Gateway's rate cap is good policy because it provides a vehicle for the Commission to regulate inmate service providers with a minimal amount of FCC resources.